

STATE OF SOUTH CAROLINA

(Caption of Case)

Application of Palmetto Utilities, Inc. for adjustment
of rates and charges and modifications to certain terms
and conditions related to, the provision of sewer
service.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2013 - 42 - S

(Please type or print)

Submitted by: John M.S. Hoefler

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NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition☐ Request for item to be placed on Commission's Agenda expeditiously☐ Other:

| INDUSTRY (Check one) | NATURE OF ACTION (Check all that apply) | | | |
|--|--|--|--|--|
| <input type="checkbox"/> Electric | <input type="checkbox"/> Affidavit | <input type="checkbox"/> Letter | <input type="checkbox"/> Request | |
| <input type="checkbox"/> Electric/Gas | <input type="checkbox"/> Agreement | <input type="checkbox"/> Memorandum | <input type="checkbox"/> Request for Certification | |
| <input type="checkbox"/> Electric/Telecommunications | <input type="checkbox"/> Answer | <input type="checkbox"/> Motion | <input type="checkbox"/> Request for Investigation | |
| <input type="checkbox"/> Electric/Water | <input type="checkbox"/> Appellate Review | <input type="checkbox"/> Objection | <input type="checkbox"/> Resale Agreement | |
| <input type="checkbox"/> Electric/Water/Telecom. | <input type="checkbox"/> Application | <input type="checkbox"/> Petition | <input type="checkbox"/> Resale Amendment | |
| <input type="checkbox"/> Electric/Water/Sewer | <input type="checkbox"/> Brief | <input type="checkbox"/> Petition for Reconsideration | <input type="checkbox"/> Reservation Letter | |
| <input type="checkbox"/> Gas | <input type="checkbox"/> Certificate | <input type="checkbox"/> Petition for Rulemaking | <input type="checkbox"/> Response | |
| <input type="checkbox"/> Railroad | <input type="checkbox"/> Comments | <input type="checkbox"/> Petition for Rule to Show Cause | <input type="checkbox"/> Response to Discovery | |
| <input checked="" type="checkbox"/> Sewer | <input type="checkbox"/> Complaint | <input type="checkbox"/> Petition to Intervene | <input type="checkbox"/> Return to Petition | |
| <input type="checkbox"/> Telecommunications | <input type="checkbox"/> Consent Order | <input type="checkbox"/> Petition to Intervene Out of Time | <input type="checkbox"/> Stipulation | |
| <input type="checkbox"/> Transportation | <input type="checkbox"/> Discovery | <input checked="" type="checkbox"/> Prefiled Testimony | <input type="checkbox"/> Subpoena | |
| <input type="checkbox"/> Water | <input type="checkbox"/> Exhibit | <input type="checkbox"/> Promotion | <input type="checkbox"/> Tariff | |
| <input type="checkbox"/> Water/Sewer | <input type="checkbox"/> Expedited Consideration | <input type="checkbox"/> Proposed Order | <input type="checkbox"/> Other: _____ | |
| <input type="checkbox"/> Administrative Matter | <input type="checkbox"/> Interconnection Agreement | <input type="checkbox"/> Protest | | |
| <input type="checkbox"/> Other: _____ | <input type="checkbox"/> Interconnection Amendment | <input type="checkbox"/> Publisher's Affidavit | | |
| | <input type="checkbox"/> Late-Filed Exhibit | <input type="checkbox"/> Report | | |

Print Form

Reset Form

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December 11, 2014

*ALSO ADMITTED IN TX

**ALSO ADMITTED IN THE DISTRICT OF COLUMBIA

VIA HAND DELIVERY

The Honorable Jocelyn D. Boyd
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29211

RE: Application of Palmetto Utilities, Inc. for adjustment of rates and charges for, and modification to certain terms and conditions related to, the provision of sewer service; Docket No.: 2013-42-S

Dear Mrs. Boyd:

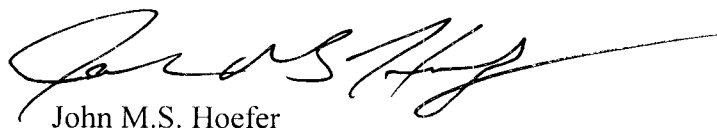
Enclosed for filing on behalf of Palmetto Utilities, Inc. is the original copy of verified **Testimony on Remand of Fred (Rick) Melcher, III and Gary E. Walsh As Directed By Order No. 2011-363** in the above-referenced matter. By copy of this letter, I am serving a copy of these documents upon the parties of record and enclose a Certificate of Service to that effect.

I would appreciate your acknowledging receipt of these documents by date-stamping the extra copies that are enclosed and returning them to me via our courier.

If you have any questions or if you need any additional information, please do not hesitate to contact me.

Sincerely,

WILLOUGHBY & HOEFER, P.A.



John M.S. Hoefer

JMSH/cbs
Enclosures

The Honorable Jocelyn D. Boyd

December 11, 2014

Page 2

cc: Jeffrey M. Nelson, Esquire
Florence P. Belser, Esquire
D. Reece Williams, III, Esquire
Kathleen M. McDaniel, Esquire

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2013-42-S

IN RE:)
)
Application of Palmetto Utilities, Inc.)
for adjustment of rates and charges)
for, and modification to certain terms)
and conditions related to,)
the provision of sewer service.)

**REMAND TESTIMONY
OF GARY E. WALSH**

1 **Q. ARE YOU THE SAME GARY E. WALSH THAT HAS PREVIOUSLY**
2 **TESTIFIED IN THIS MATTER?**

3 **A. Yes, I am.**

4 **Q. WHAT IS THE PURPOSE OF YOUR REMAND TESTIMONY IN THIS**
5 **PROCEEDING?**

6 **A. The purpose of my remand testimony is to explain and support the proposed**
7 **settlement reached by the parties in this proceeding while the matter was pending**
8 **on appeal before the Supreme Court of South Carolina.**

9 **Q. WHAT ARE THE TERMS OF THE PARTIES' PROPOSED**
10 **SETTLEMENT?**

11 **A. The primary terms of the proposed settlement consist of a modification to**
12 **Palmetto's currently approved rate design and a very slight increase in the**
13 **monthly charge per single family equivalent, or "SFE." The operating margin**
14 **previously approved by the Commission in this docket would remain unchanged.**

1 **Q. WOULD YOU DISCUSS THE PRIMARY TERMS YOU HAVE**
2 **MENTIONED IN MORE DETAIL?**

3 A. Yes. As the Commission is aware, Palmetto's currently approved rate design
4 features a single family equivalency rating system that is based upon the "Unit
5 Contributory Loading Guidelines" set out in Appendix "A" to Volume 25 South
6 Carolina Code of Regulations 61-67. This regulation establishes flow capacity
7 design guidelines for wastewater facilities which are used to determine the
8 distribution of Palmetto's revenue requirement among the various types of
9 customers it serves. Under the terms of the proposed settlement, the currently
10 approved rate design would be modified to exclude from the factors used to
11 calculate the equivalency rating for fast-food restaurants the number of cars
12 served by their drive-thru facilities. In order to permit Palmetto to earn the
13 operating margin previously approved by the Commission in this docket – which
14 was not disputed by any party in this docket -- the approved monthly charge for
15 wastewater treatment service would be increased from thirty six dollars to thirty
16 six dollars and fifty cents per SFE. This is an increase in the monthly charge per
17 SFE of less than one and one-half percent.

18 **Q. HAS THE PROPOSED MODIFIED RATE DESIGN BEEN APPROVED**
19 **BY THE COMMISSION FOR ANY OTHER UTILITY?**

20 A. Yes. The Commission recently approved the same rate design for Palmetto
21 Wastewater Reclamation LLC in its Order Number 2014-752 in Docket Number
22 2014-69-S.

1 **Q. WHAT IS THE BASIS FOR THE MODIFICATION TO THE**
2 **EQUIVALENCY FACTORS FOR THE FAST-FOOD RESTAURANTS**
3 **OPERATING DRIVE-THRU FACILITIES?**

4 A. The basis for this modification lies in a couple of facts. First, Palmetto has
5 already proposed, and the Commission accepted, a modification to these
6 equivalency factors in the settlement between Palmetto and the Office of
7 Regulatory Staff that was first approved by the Commission in this docket. This
8 fact reflects that rate design is a fluid, and not static, function and that a utility has
9 the ability to propose rate designs that reflect the needs of various types of
10 customers. Second, Palmetto's current rate design, as well as those of many if not
11 all of the jurisdictional sewer utilities which have approved rate designs that
12 employ equivalency rating systems based upon the guidelines set out in the
13 regulation, already reflects some modification to other commercial customer
14 equivalency factors. This is so because all commercial customers are currently
15 charged based upon a minimum of one SFE – even if their total equivalency
16 factors are less than one SFE.

17
18 **Q. IS THE PROPOSED SETTLEMENT REASONABLE?**

19 A. I believe that the settlement is reasonable for several reasons. First, it resolves a
20 dispute between the parties to this case, which in turn provides the dual benefits
21 of limiting legal expenses for these parties and promoting administrative
22 economy. Secondly, the proposed modified rate design is consistent with that
23 approved by the Commission for Palmetto's sister utility, Palmetto Wastewater
24 Reclamation, LLC. Third, although the settlement results in a slight increase over

1 Palmetto's currently approved rates, the resulting rate per single family equivalent
2 is still below the rates charged by several other jurisdictional sewer utilities and
3 governmental sewer utilities in the midlands area. Although I recognize that the
4 rates charged by other utilities cannot form the basis for the determination of a
5 just and reasonable rate, I believe that they can provide a valuable perspective
6 from which to consider the reasonableness of a proposed settlement. Fourth, and
7 as I mentioned earlier, the settlement has no impact upon the operating margin the
8 Commission has approved in this docket.

9 **Q. DOES THIS CONCLUDE YOUR REMAND TESTIMONY?**

10 **A.** Yes, it does.

BEFORE
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DOCKET NO. 2013-42-S

IN RE:)
)
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for adjustment of rates and charges)
for, and modification to certain terms)
and conditions related to,)
the provision of sewer service.)

**REMAND TESTIMONY
OF FRED (RICK)
MELCHER, III**

1 **Q. ARE YOU THE SAME RICK MELCHER THAT HAS PREVIOUSLY**
2 **TESTIFIED IN THIS MATTER?**

3 **A.** Yes, I am.

4 **Q. WHAT IS THE PURPOSE OF YOUR REMAND TESTIMONY IN THIS**
5 **PROCEEDING?**

6 **A.** The purpose of my remand testimony is to support approval by the Commission
7 of the proposed settlement reached by the parties in this proceeding.

8 **Q. WHAT ARE THE TERMS OF THE PARTIES' PROPOSED**
9 **SETTLEMENT?**

10 **A.** The settlement proposed by the parties of record would increase the approved
11 monthly service rate from \$36.00 to \$36.50 per single family equivalent, or
12 "SFE," for all customers but reduce the number of SFE's for one category of
13 commercial customers, specifically fast-food restaurants which serve meals
14 through drive-thru facilities. There would be no change in the operating margin
15 approved by the Commission in this docket.

1 **Q. DOES THE PROPOSED SETTLEMENT SERVE THE PUBLIC**
2 **INTEREST?**

3 A. I believe that it does. Under the terms of the settlement, monthly service charges
4 per SFE increase by less than one and one-half percent over the currently
5 approved monthly service charge, which I would note went into effect a year and
6 four months ago. The company's financial position is preserved since the
7 operating margin approved by the Commission in this docket would not be
8 affected. Economic development is served in that operators of fast-food
9 restaurants with drive-thru facilities will now have greater resources to invest in
10 facilities and jobs.

11 **Q. ARE THERE OTHER POSITIVE ASPECTS TO THE PROPOSED**
12 **SETTLEMENT?**

13 A. Yes. The proposed settlement reflects a modification to the Company's rate
14 design that makes it consistent with the rate design the Commission recently
15 approved for the Company's sister subsidiary, Palmetto Wastewater Reclamation
16 LLC in its Order Number 2014-752 in Docket Number 2014-69-S. This would
17 be beneficial in the event that consolidation of certificated entities becomes
18 desirable.

19 **Q. DOES THE PROPOSED SETTLEMENT RESULT IN JUST AND**
20 **REASONABLE RATES?**

21 A. I believe that it does because it maintains the operating margin approved by the
22 Commission in this docket. All customers will pay the same rate per SFE under
23 this proposed settlement as is the case under the currently approved rate schedule.
24 Rate design is a question for the Commission and I believe that the modification

1 to the previously approved rate design serves to fairly distribute the cost of
2 providing service among customers.

3 **Q. DOES THIS CONCLUDE YOUR REMAND TESTIMONY?**

4 A. Yes, it does.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2013-42-S

IN RE:

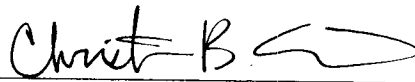
Application of Palmetto Utilities, Inc.
for adjustment of rates and charges and
modifications to certain terms and
conditions related to, the provision
of sewer service.

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of **Testimony on Remand of Fred (Rick) Melcher, III and Gary E. Walsh As Directed By Order No. 2011-363** by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Jeffrey Nelson, Esquire
Florence P. Belser, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, South Carolina 29201

Kathleen M. McDaniel, Esquire
D. Reece Williams, III, Esquire
Callison Tighe & Robinson, LLC
Post Office Box 1390
Columbia, SC 29202


Christine B. Severin

Columbia, South Carolina
This 11th day of December, 2014.